

## REQUIRED CORRECTIVE ACTIONS and RESPONSES

### **Corrective Action #1**

Establish a State Agency mechanism for providing fiscal monitoring of FSNE services, for both federal and state/local share expenditures. (September 30, 2006) This may include:

- a. Requesting random and periodic samples of documentation for federal and state/local share FSNE costs; or
- b. Examining random samples of fiscal documentation during site visits.

**CDHS Response #1:** The Cancer Prevention and Nutrition Section (CPNS) agrees to establish a multi-level process for providing better fiscal monitoring of Food Stamp Nutrition Education (FSNE) services for both federal and state/local share expenditures. In response to the California Food Stamp Nutrition Education Administrative Review Final Report (Administrative Review Report), CPNS is establishing a five-member Program Compliance Review Team (PCRT) dedicated to conducting local FSNE contractor site visits to review, enhance, and streamline the local projects' administrative and fiscal management. The PCRT's goal is to conduct 100 percent of the FSNE local contractors' site visits in two years. The PCRT expects to conduct the first site visit in November 2006. PCRT will concentrate in the first year on the largest 32 FSNE local contractors, accounting for 80 percent of the state share. See Attachment CA#1 for a draft of the detailed PCRT Action Plan summarizing the PCRT's goals, objectives, deliverables, and key activities.

The PCRT site visit efforts will focus on reviewing the corrective action items identified in the Administrative Review Report and as time permits, reviewing problems identified in the federal fiscal year (FFY) 07 State Plan that were also raised as recommendations in the Administrative Review Report. The corrective action items include:

- 1) Federal and state/local budget shares, allowability of activities
- 2) Semi-annual certifications and weekly time records
- 3) Alternative timekeeping methodologies
- 4) Reasonableness and necessity of staff salaries providing direct FSNE services
- 5) Pro-rate charged for staff time, travel, office space, equipment
- 6) Exclusivity waivers for relevant project sites and
- 7) Existence of internal measures verifying invoice accuracy and invoicing submission timeliness

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The FFY 07 State Plan problems identified and Administrative Review Report recommendations include:

- 1) USDA materials utilization
- 2) Targeting data
- 3) Local Food Stamp Office involvement
- 4) Programmatic records and
- 5) Sustainability progress/efforts

The PCRT will produce site visit reports for CPNS Senior Staff, Program Managers, and Contract Managers summarizing the findings and sharing best practices, resources identified and training needed. PCRT will also be available to conduct annual orientation training sessions and local FNSE contractors' fiscal training.

The second part of this effort involved CPNS retaining on August 1, 2006, SDV-SCC, Inc., a management consultant firm, with extensive experience auditing and reviewing internal control systems and public sector program. SDV-SCC's assigned Bob Ewing, Certified Management Accountant, as the firm's consultant. The consultant firm is to analyze and provide recommendations to improve CPNS' current fiscal monitoring systems and to assist with PCRT establishing their site visit protocols and sampling techniques. PCRT proposes to use a random sampling technique during site visits. If these random samples verify that documentation of federal state/local share FSNE costs are acceptable, then no further follow-up is necessary. If serious issues are identified during a site visit, then PCRT will establish a written action plan and meet with the contractor and their assigned *California Nutrition Network (Network)* Contract and Program Managers to ensure the action plan is implemented. Program Managers will conduct a follow-up site visit after six months to verify attainment of satisfactory progress.

The third part of this effort involves the Contract Managers. As a way to improve invoice monitoring for fiscal compliance, the management consultant firm suggested, and the procedures were adopted, for Contract Managers to use random sampling techniques to verify the expenditures submitted by local contractors. See corrective action item #4 and 12 for additional information on invoice monitoring improvements.

**CDSS RESPONSE #1:** CDSS concurs with the establishment of the PCRT and will accompany the PCRT on two reviews during FFY 2007. CDSS will request quarterly status reports on the progress of the reviews and summaries of the findings the site visit reports. An organization chart and duty statements for the PCRT positions are included in the attachment for CA #1.

**Corrective Action #2**

Submit documentation reconciling all fiscal discrepancies for federal and state/local share expenditures, as requested by Food and Nutrition Service (FNS) per *Exhibit D. (September 30, 2006)*

**CDHS Response #2:** CPNS agrees to submit documentation reconciling all federal discrepancies identified from 6 of the 12 contractors receiving on-site reviews for federal and state/local share expenditures as requested per Exhibit D. See Attachment CA#2 for the requested documentation from the six contractors.

**CDSS RESPONSE #2:** CDSS concurs with the CDHS response to Corrective Action #2.

**Corrective Action #3**

Once invoicing for FFY 2005 is complete, submit to FNS documentation verifying that all remaining costs denied in 2005 were not charged to FSNE. *(September 30, 2007)*

**CDHS Response #3:** CPNS agrees to provide documentation verifying that all remaining costs denied in FFY 05 were not charged to FSNE. The remaining denied costs requiring documentation are state and federal disallowances to California State University Fresno and Los Angeles Trade Technical College. CPNS used the same documentation format previously submitted to United States Department of Agriculture (USDA) to verify all the other denied costs. See Attachment CA#3 for the documents verifying all remaining costs were not charged to FSNE.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #3.

**Corrective Action #4**

Continue to work with state and local FSNE partners to expedite reimbursement of local projects and invoicing of expenditures to CDSS and in turn, FNS. *(Ongoing)*

**CDHS Response #4:** CPNS recognizes the long-standing problems in this area, believes we have made significant progress, and agrees to continue to work with state and local FSNE partners to expedite reimbursement of local projects and invoicing of expenditures to the CDSS. CPNS is addressing this issue at each step in the chain by implementing several strategies. First, at the local project level, CPNS sent Program Letter 06-03 on August 8, 2006, to all contractors. Item #7 provided the local FSNE partners new instructions for submitting documentation reports and invoices and stressed the importance of timely filings. Second, CPNS established new document submission dates as 30 days from the

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end of each quarter. See Attachment CA #4, Item #7. Third, CPNS' Contract Managers and PCRT will conduct local FSNE contractor fiscal trainings in January 2007. The fiscal training will include a session or interactive exercise on invoices addressing instructions to correctly completing them, essential components, the importance of timeliness, and how to avoid common invoice errors and incomplete invoices.

In the state office, CPNS will implement the following procedural changes except item #3 by November 2006:

- 1) Contract Managers will review all invoices within two weeks of receipt for timeliness, errors and incomplete data and enter the invoices into the Grant Information and Fiscal Tracking System (GIFTS) database.
- 2) Complete the recruitment and hire the newly established Accountant I position to assist the Associate Accounting Analyst. The Accountant I position will be dedicated to processing invoices, reimbursement claims, and monitoring the flow of invoices from local projects to CPNS and CDSS. This position will identify contractors submitting late invoices and refer to the Contract Manager for follow-up training, technical assistance, and on-site visits, as needed.
- 3) CPNS staff will program the GIFTS database by the second quarter of FFY 07 to provide an automatic reminder to the local agency and the assigned Contract Manager if a local contractor fails to submit an invoice within 30 days of the due date. This will remind the Contract Managers to follow-up directly and provide technical assistance to these local contractors.
- 4) The Associate Accounting Analyst will change the frequency of claims submission to CDSS from quarterly to monthly.
- 5) The Accountant I will submit reimbursement claims to the Controllers Office within four weeks of receipt.
- 6) PCRT during site reviews will review the contractors' invoices for submission timeliness. CPNS Contract Managers will follow-up to correct delayed invoicing and/or payments.
- 7) If appropriate, establish an advisory group or work team with local agency partners to resolve problems and develop improved procedures and forms.
- 8) The Accountant I will track reimbursement to local contracts and follow-up with Accounting for claims not paid within four weeks from submission.

Implementing the above eight steps should expedite reimbursement to local contractors and invoicing to CDSS.

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**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #4. Monthly invoicing should correct the problem of expenses being incurred and paid by CDHS but not claimed to CDSS. Contractors that are delinquent in claiming can be identified on the invoice submitted to CDSS. At the end of the first quarter following the end of the FFY, CDSS will request an update on the action taken by CDHS to keep invoicing up to date and follow up from there as appropriate. Consideration should be given to not renewing the contract of an agency that consistently has not complied with invoicing requirements.

With FFY '07 CDSS has initiated a three-year rather than a one-year agreement with CDHS. Having an agreement in place at the start of the new FFY will eliminate delays in invoicing and claiming caused by the lengthy timeframes needed to process an agreement. CDSS will request that invoicing for a new FFY begin no later than the second quarter and will work to get that timeframe moved up if possible.

**Corrective Action #5**

Ensure state and local FSNE contractors' and subcontractors' understanding that expenditures claimed under both the federal and state/local budget shares must be allowable per FSNE guidelines and appropriately allocated, tracked, invoiced and documented. Federal and state/local share activities and costs must be administered identically. (*Effective immediately*)

**CDHS Response #5:** CPNS will ensure that state and local FSNE contractors and subcontractors understand that expenditures claimed under both the federal and state/local budget shares must be allowable per FSNE guidelines and appropriately allocated, tracked, invoiced and documented correctly, and administered identically.

Item #1 in Program Letter 06-03 sent to all *Network*-funded projects on August 8, 2006, explained the FSNE guidelines for allowable costs and that costs for state match and federal match claimed under *Network* contracts must be administered identically. See Attachment CA#4, Item #1.

CPNS Contract and Program Managers implemented procedures to help local agency contractors discriminate between allowable and unallowable costs and documentation requirements during contract negotiations, site visits and during fiscal trainings. CPNS will update the Local Incentive Award (LIA) Guidelines Manual and Funding Application Package (FAP) by March 2007 to emphasize that both state and federal share must be treated the same. CPNS will update the contract negotiation checklist to ensure this subject is reviewed with local FSNE contractors during FFY 08 contract negotiations. CPNS will include this concept of treating state and federal share costs identically in fiscal training curriculum for all future trainings. During site visits, PCRT will randomly select an invoice and review all documentation associated with costs on the invoice to

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ensure all expenditures claimed under both the federal and state/local budget shares were allowable per FSNE guidelines and appropriately allocated, tracked, and documented. If problems are identified, PCRT will contact the Contract Manager for follow-up consultation and on-site monitoring until the problem is resolved.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #5.

**Corrective Action #6**

Ensure that semi-annual certifications are retained for all staff dedicating 100 percent time to FSNE and weekly records are maintained by any staff dedicating less than 100 percent time to FSNE, unless FNS has approved an alternative methodology for such staff. All time and effort reports must be completed by the individual contributing time and based upon actual hours worked for FSNE.  
*(Effective immediately)*

**CDHS Response #6:** CPNS was unaware that state staff were required to submit federal certification and/or weekly time records since CDSS is the recipient of the USDA funds directly and the reimbursement to CPNS is from the state General Fund. However, as CPNS is now aware of the requirement, CPNS will ensure that semi-annual certifications are retained for all staff dedicating 100 percent time to FSNE and weekly records are maintained by any staff dedicating less than 100 percent time to FSNE, unless FNS has approved an alternative methodology for such staff. CPNS instructed staff of this requirement in August 2006 and established an internal tracking system to ensure that all CPNS staff complies with this requirement. All full-time CPNS staff completed the federal certification forms for FFY 06. The five CPNS staff (Rosanne Stephenson, Cristina Acosta, Carolyn Brown, Susan Foerster, and Stephanie Nishio) who claim less than 100 percent time to FSNE activities are tracking their time on weekly time logs and will submit them on a quarterly bases to their Personnel Coordinator. CPNS will request approval of alternative timekeeping methodology for CPNS staff dedicating less than 100 percent time to FSNE activities in the near future.

Item #2 in Program Letter 06-03, dated August 8, 2006, provided local contractors with these reporting requirements, instructing them to begin completing the federal certification forms immediately and included a copy of a federal certification form. See Attachment CA#4, Item #2. The Contract Managers in the first quarter of FFY '07 will contact all contractors to verify they understand the reporting requirements in Program Letter 06-03, provide technical assistance as needed, and ensure all contracts are following the requirements related to semi-annual federal certification forms. The Contract Managers will also incorporate reviewing federal certificate forms and weekly records in their desk reviews. In addition, PCRT members will randomly select one quarter and

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will review copies of federal certification forms and weekly records for all staff involved in FSNE activities during the biennial site visits.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #6.

**Corrective Action #7**

Ensure that any projects requesting an alternative timekeeping methodology, for which they had not received FNS approval in the past, include such a request in their FSNE Plan to FNS, along with justification as to why such an alternative is needed and how it will be representative of staff time for their particular project. (*Effective immediately*)

**CDHS Response #7:** CPNS was unaware of the requirement for annual renewal and under the impression that once an alternative time study methodology receives USDA's approval, it could be adopted by other contractors without having to be individually approved by USDA with the annual FSNE State Plan. Detailed time recording is a burdensome requirement for local contractors and diverts valuable resources away from direct public service. Alternative timekeeping methodologies offer some relief and a more efficient use of resources. CPNS will continue to work with the Western Regional Office (WRO) to develop streamlined alternative timekeeping methods with the goal of transitioning to automated time reporting within the next two to three years. CPNS will share recently approved time study methodologies with local agency contractors via meetings, fiscal trainings, and/or in the LIA Guidelines Manual.

Item #3 in Program Letter 06-03 notified all contractors of this requirement. See Attachment CA#4, Item #3. All new and continuing contractor quarterly time study requests were included in the FFY 07 FSNE State Plan. CPNS will ensure that all projects requesting an alternative timekeeping methodology, for which they had not received FNS approval in the past, include such a request in their FSNE State Plan to FNS, along with justification as to why such an alternative is needed and how it is representative of staff time for their particular project.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #7.

**Corrective Action #8**

Per FNS policy, ensure that staff salaries claimed through federal and state/local budget shares, particularly those for subcontractors, consultants and physicians, are reasonable and necessary to the direct provision of FSNE services, and reflect wages comparable to that for the nutrition education activity they are performing. (*Effective immediately*)

**CDHS Response #8:** CPNS appreciates being alerted of the four questionable instances during USDA's administrative review where staff salaries may not be reasonable and necessary. CPNS agrees to ensure that staff salaries claimed through federal and state/local budget shares are reasonable and necessary to the direct provision of FSNE services and reflect wages comparable to that for the nutrition education activity that they are performing. Program Letter 06-03 sent to all CPNS contractors on August 8, 2006, explained the FNS policy. See Attachment CA#4, Item #4. CPNS will work with the Certified Management Accountant to identify problem categories of personnel and develop guidelines to assist Contract Managers in assessing the reasonableness of subcontractors and consultants' fees. Compensation issues may include regional differences, union vs. non-union issues, consultant/contract versus employee differences, title and pay plans, and market place influences. CPNS Contract and Program Managers will closely monitor the reasonableness of salaries when reviewing state share and federal share budgets and budget justifications during contract negotiations. CPNS will update the LIA Guidelines Manual and FAP for FFY 08 to emphasize the FNS policy. The updated LIA Guidelines Manual will provide specific definitions of overhead, general, and administrative expenses. CPNS will implement a justification process with the Contract and Program Managers for their supervisors to allow case-specific exceptions when the local agency contractor provides appropriate documentation. The local agency contractor's fiscal trainings, scheduled for January 2007 will also cover this topic.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #8.

**Corrective Action #9**

Ensure that state and local FSNE partners pro-rate all staff time, travel, office space, etc. to reflect the percentage of time spent or the proportion of the activity that relates directly to FSNE. (*Effective immediately*)

**CDHS Response #9:** CPNS agrees to ensure that state and local FSNE partners pro-rate all staff time, travel, office space, etc., to reflect the percentage of time spent or the proportion of the activity that relates directly to FSNE. CPNS employs only five staff working less than 100 percent time on FSNE activities that require pro-rating of their time. These individuals were instructed to track their time on weekly time logs and their expenses are pro-rated accordingly.

Program Letter 06-03 was sent to all contractors on August 8, 2006. The Program Letter explained FNS' pro-rating policy of staff time, travel, and office space and included a pro-rating form to assist contractors with calculating travel costs. See Attachment CA#4, Item #5. The updated LIA Guidelines Manual, scheduled to be completed by March 2007 will include expanded instructions and provide example calculations of the pro-ratio guidelines, methods, and bases.



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The Contract and Program Managers will update their review tools to include reviewing for proper pro-rating of expenses when reviewing state share and federal share budget justifications and performing desk reviews. Beginning in FFY '07, Contract Managers will include in their annual desk reviews, an examination of the one quarter per fiscal year invoice's supporting documentations. PCRT will review documents for proper pro-rating at site reviews. The LIA fiscal trainings will include this topic.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #9.

**Corrective Action #10**

Ensure that an exclusivity waiver has been requested for all project sites receiving FSNE services, and submit targeting data for any sites not noted in the original State Plan. Any sites for which required targeting data and data source are not submitted are ineligible to receive FSNE services and funding. (*Effective immediately*)

**CDHS Response #10:** CPNS agrees to increase its oversight to ensure that an exclusivity waiver is requested for all project sites receiving FSNE services. For FFY 07 State Plan, exclusivity waivers were included for all but nine of the project sites, and CPNS will work to ensure that 100 percent are provided in future FSNE State Plans. The exclusivity waiver indicates income targeting data sources used by all projects. For each LIA project, the Project Summaries for each includes individual intervention site income targeting data, e.g., numbers of census tracts, free and reduced price meal rates for individual schools, etc. See Attachment CA#10. For the Regional Nutrition *Network's* and *California 5 a Day Campaigns*, the FFY 07 Plan includes a list of the qualifying census tracts and school sites in which the *California 5 a Day Campaigns* plan to conduct interventions. Each Regional Nutrition *Network* is provided with guidelines that specify how sites within each of the *5 a Day Campaign* intervention channels can qualify for participation. Over the course of the year, the targeted *Campaigns* and *Programs*, including the *Children's 5 a Day—Power Play! Campaign*, *Latino 5 a Day Campaign*, *African American 5 a Day Campaign*, *5 a Day Retail Program*, and *5 a Day—Be Active! Worksite Program*, will maintain Activity Tracking Forms. These Activity Tracking Forms include detailed data about each intervention site that participates in the *Campaigns/Programs* during the fiscal year, including how each site meets the targeting criteria. These Activity Tracking Forms are submitted with each Regional Nutrition *Network* report and are reviewed by state-level staff to ensure compliance with targeting criteria.

Item #6, Program Letter #06-03, dated August 8, 2006, informed local FSNE projects that targeting data for each intervention site is required and that any intervention site without income targeting data is ineligible for FSNE services and funding. See Attachment CA#4, Item #6. The local FSNE contracts include a statement that CPNS will only reimburse for FSNE services provided at project

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sites with exclusivity waivers and submitted targeting data. CPNS will update the Progress Report Forms for the second and fourth quarter FFY '07 for Contractors to indicate any changes to intervention sites to ensure this information is kept current. Additionally, CPNS will update the FFY '08 FAP to include a "Targeting Data Update Section" in the local program summary form. Local contractors will be required to complete this section if any targeting data changes are made throughout the year and submit the updated form to CPNS. The updated section will be kept on file and is available for review upon request. A summary of targeting data updates will be reported to USDA on a semi-annual basis. Please note that local contractors are required to select only targeting sites listed on the CPNS pre-approved Food Stamp Program targeting database. The database includes only census tracts that meet the USDA requirements. The database is currently available for review on the CPNS website and has been submitted to the USDA WRO for review and approval.

As CPNS receives requests for new targeting sites, the exclusivity waiver and targeting data will be submitted to USDA's WRO. Finally, the newly formed PCRT will also monitor targeting site changes during site reviews.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #10.

**Corrective Action #11**

Ensure increased oversight of Los Angeles Unified School District (LAUSD) Nutrition *Network* negotiations until a satisfactory resolution can be reached regarding all administrative issues raised during the FNS site visit. (Ongoing)

**CDHS Response #11:** CPNS has instituted close oversight and will continue to comply with the recommendation. CPNS assigned Program and Contract Managers, Gil Sisneros and Kelley Maddox, to oversee this matter and to meet with the LAUSD senior management in May 2006 to review the preliminary USDA's findings. LAUSD senior management in consultation with Mr. Sisneros and Ms. Maddox created a corrective action plan with goals and objectives in 30-, 60-, and 90 day increments that address all of USDA's administrative issues raised during the site visit. See Attachment CA#11 "LAUSD Nutrition *Network* Project Action Plan Timeline." Mr. Sisneros and Ms. Maddox will meet monthly with LAUSD's senior management for at least a year to assess progress in implementing the action plan and to ensure a satisfactory resolution on all issues. On a quarterly basis, Mr. Sisneros and Ms. Maddox will provide USDA WRO with a written report on LAUSD's progress in implementing the action plan and overall status of the project. As relayed to USDA WRO in other correspondence, effective September 22, 2006, LAUSD's Project Manager resigned and LAUSD will begin the recruitment for her replacement shortly.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #11.

**Corrective Action #12**

Work with local FSNE partners to strengthen and standardize internal measures for verifying that invoiced FSNE expenditures are reviewed for accuracy and propriety prior to payment. (*Ongoing*)

**CDHS Response #12:** CPNS agrees to work with local FSNE partners to strengthen and standardize internal measures for verifying that invoiced FSNE expenditures are reviewed for accuracy and propriety prior to payment. The Management Consultant firm and a team of Contract Managers will review several of the local agency contractors' current invoicing systems and identify best practices to share with the local agency contractors via e-mail, the *Network* website and the fiscal training. Contract Managers by April 2007 will develop and provide to local agency contractors recommended standardized measures for their consideration to improve the accuracy of their invoices prior to payment. These recommendations will include at a minimum:

- 1) Requesting a second review of invoice support documentation by the contractor prior to invoice submittal;
- 2) Reviewing the best practice (exemplary expenditure documentation) shared with contractors to identify components to incorporate and
- 3) Reviewing common invoicing problem areas and solutions.

CPNS will also standardize the Contract Manager internal review of invoices to provide review consistency and provide staff training on these standards. Contract Managers will institute random sampling of contractor fiscal support documentation at least one quarter per year and, if problems are found, work directly with these contractors. See Corrective Action item #4 for additional information on new procedures for processing invoices in the CPNS office.

**CDSS RESPONSE:** CDSS concurs with the CDHS response to Corrective Action #12.